

Message Text

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EB/ORF:JINGERSOLL

EB/OT:DDUNFORD

ARA/ECP:WKNEPPER

S/S: MR. SPRINGSTEEN

STR;BSTEINBOCK (PHONE)

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 018461

EXDIS

E.O. 11652: GDS

TAGS: PFOR, ETRD, BR

SUBJECT: LETTER FROM SECRETARY TO FOREIGN MINISTER SILVEIRA

1. PLEASE DELIVER FOLLOWING LETTER TO SILVEIRA:

2. BEGIN TEXT: DEAR ANTONIO, THANK YOU FOR YOUR THOUGHTFUL LETTER OF JANUARY 10 REGARDING THE TRADE ACT AND THE INTERNATIONAL COFFEE AGREEMENT. I LOOK FORWARD TO DISCUSSING THESE IMPORTANT MATTERS IN GREATER DEPTH WITH YOU IN BRASILIA BUT, AS YOU SUGGEST, WANT TO SHARE WITH YOU MY GENERAL VIEWS EVEN BEFORE MY VISIT.

3. AS YOU NOTE IN YOUR LETTER, THE TRADE ACT IS A CRITICALLY IMPORTANT ACTION BY THE U.S. GOVERNMENT AND THE MOST SIGNIFICANT TRADE LEGISLATION PASSED BY THE US CONGRESS SINCE OUR TRADE AGREEMENTS PROGRAM BEGAN FORTY
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YEARS AGO. THE MOST IMPORTANT FEATURE OF THE ACT IS THAT

DESPITE CERTAIN PROVISIONS IT IS A CLEAR DEMONSTRATION OF OUR CONTINUED COMMITMENT TO AN OPEN WORLD ECONOMIC ORDER AND TO WORLD ECONOMIC INTERDEPENDENCE, A COMMITMENT WHICH WE MAINTAIN WITH PARTICULAR SERIOUSNESS AT THIS TIME OF ECONOMIC DIFFICULTIES FOR ALL COUNTRIES.

4. I AGREE WITH YOU EMPHATICALLY THAT WE MUST USE THE OPPORTUNITY OF THE UPCOMING MULTILATERAL TRADE

NEGOTIATIONS TO CREATE AN INTERNATIONAL ECONOMIC SYSTEM WHICH WILL PROMOTE THE PROGRESS OF THE DEVELOPING COUNTRIES. WE, AND OTHER DEVELOPED COUNTRIES, ARE COMMITTED BY THE TOKYO DECLARATION TO EXPAND TRADE OPPORTUNITIES FOR DEVELOPING COUNTRIES AND TO TAKE THEIR SPECIFIC TRADE PROBLEMS INTO ACCOUNT. THE TRADE ACT PROVIDES THE US WITH THE AUTHORITY TO ENTER INTO TRADE NEGOTIATIONS TO FULFILL THE GOALS OF THE DECLARATION. I INTEND TO WORK CLOSELY WITH YOU AND WITH OUR COLLEAGUES FROM THE DEVELOPING WORLD TO ENSURE THAT THE UPCOMING NEGOTIATIONS GIVE PRACTICAL EFFECT TO THIS OBJECTIVE.

5. I AM CONVINCED THAT LATIN AMERICA, WHICH IS AMONG THE MORE ADVANCED OF THE DEVELOPING REGIONS AND HENCE BETTER ABLE TO TAKE ADVANTAGE OF TRADE OPPORTUNITIES, WILL BE A MAJOR BENEFICIARY OF THE TRADE ACT. IN ADDITION TO THE BENEFITS WHICH SHOULD RESULT FROM THE MULTILATERAL TRADE NEGOTIATIONS, THE ACT, AS YOU KNOW, AUTHORIZES THE IMPLEMENTATION OF THE LONG-AWAITED GENERALIZED PREFERENCE SYSTEM. UNDER THE PROCEDURES REQUIRED, WE EXPECT TO IMPLEMENT THIS SYSTEM ABOUT SIX MONTHS FROM NOW. OUR PRELIMINARY CALCULATIONS SHOW THAT OVER 30 PER CENT BY VALUE OF THE DUTIABLE IMPORTS FROM LATIN AMERICA AT THE PRESENT TIME WILL BE INCLUDED IN OUR PREFERENCE SYSTEM. BASED ON 1972 TRADE VALUES, THAT AMOUNTS TO OVER THREE QUARTERS OF A BILLION DOLLARS OF LATIN AMERICAN EXPORTS TO THE US, AND OVER ONE HUNDRED MILLION DOLLARS OF BRAZILIAN EXPORTS. KEEPING IN MIND THAT OUR IMPORTS FROM BRAZIL AND FROM OTHER LATIN AMERICAN COUNTRIES HAVE INCREASED RAPIDLY SINCE THAT TIME, THAT AMOUNT SHOULD BE

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SIGNIFICANTLY HIGHER WHEN PREFERENCES ARE PUT INTO EFFECT.

6. AS YOU KNOW, I DEEPLY REGRET THOSE PROVISIONS IN THE TRADE ACT WHICH CONCERN POSSIBLE MANDATORY EXCLUSION OF CERTAIN COUNTRIES FROM THE BENEFITS OF THE PREFERENCE SYSTEM. THE ADMINISTRATION STRONGLY OPPOSED THOSE PROVISIONS AND WORKED VIGOROUSLY TO HAVE THEM MODIFIED OR ELIMINATED. WE WERE NOT SUCCESSFUL. HOWEVER,

I AM DETERMINED TO WORK WITH CONGRESS TO IMPROVE THE TRADE ACT.

7. AS TO THE PROSPECTS FOR A NEW INTERNATIONAL COFFEE AGREEMENT, I AM PLEASED TO NOTE THAT YOUR ANALYSIS OF THE BASIC NEEDS OF PRODUCERS AND CONSUMERS IN MANY IMPORTANT RESPECTS PARALLELS MY OWN. I SHARE YOUR VIEW THAT OUR TWO COUNTRIES--THE LARGEST EXPORTER AND THE LARGEST IMPORTER OF THE PRODUCT--MUST INEVITABLY PLAY DECISIVE ROLES IN THE NEGOTIATION AND OPERATION OF A NEW INTERNATIONAL COFFEE AGREEMENT. I CAN ASSURE YOU THAT OUR COFFEE POLICY IS GUIDED BY PRINCIPLES OF FLEXIBILITY, DIALOGUE AND INSTITUTIONAL COOPERATION DEVELOPED OVER THE PAST TWELVE YEARS FOR THE BENEFIT OF PRODUCERS AND CONSUMERS ALIKE.

8. THE UNITED STATES RECOGNIZES THE VITAL ROLE OF COFFEE IN THE FOREIGN TRADE OF THE PRODUCING COUNTRIES AND WE HAVE REPEATEDLY EXPRESSED OUR WILLINGNESS TO PARTICIPATE IN NEGOTIATIONS FOR A NEW AGREEMENT WHENEVER OTHER MEMBERS OF THE INTERNATIONAL COFFEE ORGANIZATION ARE READY. I MADE THIS POINT AT TLATELOLCO.

9. WE WELCOME BRAZIL'S INITIATIVE IN FOCUSING OUR ATTENTION ON WHAT IT PERCEIVES AS THE TWO CRUCIAL POINTS OF A NEW AGREEMENT: PRICES AND SECURITY OF SUPPLY.

10. QUITE FRANKLY, ON THE PRICE ISSUE, I CANNOT ENCOURAGE YOU TO BELIEVE THAT THE UNITED STATES OR OTHER MAJOR CONSUMING NATIONS WILL ACCEPT THE CONCEPT OF AUTOMATIC INDEXATION OF PRICES AS A DEVICE TO MAINTAIN THE "REAL" VALUE OF COFFEE EXPORTS. THIS ISSUE OF PRICE INDEXATION HAS BEEN RAISED ON A THEORETICAL BASIS IN A CONFIDENTIAL

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NUMBER OF INTERNATIONAL FORA AND IS UNDER ACTIVE CONSIDERATION IN THE UNCTAD. IT IS NOT, THEREFORE, IN MY VIEW AN ISSUE WHICH CAN BE OR NEED BE RESOLVED IN THE CONTEXT OF AN INTERNATIONAL COFFEE AGREEMENT. HOWEVER, THIS IS NOT TO SAY THAT IN NEGOTIATIONS FOR A NEW COFFEE AGREEMENT WE CANNOT TAKE INTO ACCOUNT THE CONCERNS WHICH YOU EXPRESS IN YOUR LETTER AND ATTEMPT TO RESOLVE THEM IN A MANNER ACCEPTABLE TO BOTH PRODUCERS AND CONSUMERS. I UNDERSTAND SEVERAL PROPOSALS HAVE BEEN ADVANCED IN THE ICA WORKING GROUP WHICH OFFER THE POSSIBILITY OF RESOLVING THE PRICE ISSUE.

11. ON SECURITY OF SUPPLY, WE THINK SEVERAL OF THE PROPOSALS CURRENTLY BEING DISCUSSED BY THE ICA WORKING GROUP IN LONDON SHOW PROMISE OF MEETING MAJOR CONCERNS

OF CONSUMING COUNTRIES.

12. I HOPE THAT THESE THOUGHTS WILL SERVE AS A BASE FOR
A DEEPER EXPLORATION OF THESE SUBJECTS WHEN WE MEET IN
BRAZIL. NANCY AND I ARE LOOKING FORWARD TO SEEING MAY
AND YOU THERE. MY WARMEST REGARDS, HENRY. END TEXT. KISSINGER

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